

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matters of)	
)	
Access Charge Reform)	CC Docket No. 96-262
)	
Price Cap Performance Review for Local)	CC Docket No. 94-1
Exchange Carriers)	
)	
Low Volume Long-Distance Users)	CC Docket No. 99-249
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45

REPLY COMMENTS OF VALOR TELECOMMUNICATIONS ENTERPRISES, LLC

Valor Telecommunications Enterprises, LLC (Valor) submits the following Reply Comments in response to the Public Notice issued in the above-captioned proceeding on December 4, 2001.¹

INTRODUCTION

Valor is a privately held start-up company, formed for the purpose of purchasing approximately 550,000 mostly rural access lines from GTE (now Verizon) in Arkansas, Oklahoma, Texas and New Mexico. Valor began operations in early 2000 and, through its subsidiaries, currently operates as an incumbent local exchange carrier (LEC) providing communications services to communities in New Mexico, Oklahoma, Texas, and Arkansas.² In 2002, Valor acquired Kerrville Communications Corporation, Inc. (KCC), a diversified telecommunications service provider based in Kerrville, Texas. One

¹ Common Carrier Bureau Seeks Comment on Remand of \$650 Million Support Amount under Interstate Access Support Mechanism for Price Cap Carriers, *Public Notice*, (rel. Dec. 4, 2001).

² Through various other subsidiaries, Valor also provides a wide range of additional services, including interexchange, information and competitive local exchange services.

of KCC's wholly owned subsidiaries, Kerrville Telephone Company, is also an incumbent LEC serving rural customers in Texas. As a CALLS participant interested in acquiring additional rural exchanges, Valor shares CenturyTel's concerns regarding the effect of the interstate universal service mechanism adopted in the FCC's *CALLS Order*.³

DISCUSSION

Customers benefit when rural exchanges are transferred from LECs that serve major metropolitan areas to smaller carriers that focus on rural markets. Rural LECs such as Valor, focus primarily, if not exclusively, on rural exchanges and rural customers. Customers in the rural markets served by Valor have seen significant investments, new services and improvements in existing services since Valor acquired its exchanges in 2000. These investments have enabled Valor to offer its rural customers better service and more products than the customers previously received from the transferring carrier.⁴

Given these consumer benefits, the FCC should ensure that its rules do not impede the transfer of rural exchanges to rural LECs. Unfortunately, a number of the Commission's existing rules may discourage rural carriers from acquiring, and investing in, rural exchanges. One such rule is the CALLS universal service fund (USF) mechanism. As CenturyTel explained in its comments, the current CALLS USF mechanism may not provide sufficient support for carriers to make the investments necessary to update newly acquired rural exchanges, improve infrastructure and update

³ *In the Matter of Deployment of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Distance Users, and Federal-State Joint Board on Universal Service*, Sixth Report and Order in CC Docket No. 96-262 and 94-1, and Report and Order in CC Docket 99-249, and Eleventh Report and Order in CC Docket 96-56, 15 FCC Rcd 12962 (rel. May 31, 2000) ("*CALLS Order*").

⁴ See Comments of CenturyTel at 3.

outmoded plant so that rural customers can receive service of the type and level available to customers in more densely populated areas. For example, the existing \$650 million per year cap on CALLS support creates the risk that there will not be sufficient USF support to keep rates in high-cost and rural areas affordable, as required by section 254(e).⁵ This risk grows as new exchanges are brought under CALLS while the amount of available support remains capped. Thus, rural carriers currently cannot depend on CALLS to provide them with the USF support they need.

CONCLUSION

For the reasons stated above, Valor joins CenturyTel in urging the Commission to modify CALLS by adopting a support mechanism that ensures sufficient universal service support for carriers serving rural customers.

Respectfully submitted,
VALOR TELECOMMUNICATIONS ENTERPRISES,
LLC.

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⁵ 47 U.S.C. 254(e); Comments of CenturyTel at 7.